

1985 OHIO FARM FINANCE SURVEY

RESULTS

by

Allan E. Lines and Robert Pelly*

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Department of Agricultural Economics and Rural Sociology
The Ohio State University
2120 Fyffe Road
Columbus, OH 43210

*A. Lines and R. Pelly are Associate Professor and Research Associate, respectively, in the Department of Agricultural Economics and Rural Sociology, The Ohio State University.

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INTRODUCTION

The financial situation on Ohio farms continues to be of concern to a broad spectrum of social, political, and economic entities throughout the state. The concern is not isolated to farmers and their lenders. Rural communities, religious and social organizations, private businesses, political bodies, and everyday citizens of Ohio are cognizant of the "trouble down on the farm." What is missing, for the most part, is specific knowledge of the magnitude, extent, and incidence of the financial stress. To obtain a better understanding of the problem, Ohio farm operators were surveyed to determine their financial situation, measured by their debt/asset ratio.

THE SURVEY

A stratified random sample of 5000 Ohio farm operators was surveyed by mail during February 1985 with a follow-up request in March. The sample was drawn from the list of Ohio farmers maintained by the Ohio Agricultural Statistical Reporting Service. Nine hundred and eight usable responses were obtained, an 18 percent response rate. The surveyed operators were asked to complete a two-page questionnaire that collected continuous financial, size, and demographic data, as well as, yes/no responses to a series of credit related questions and management "crisis-response" activities. Total debts, total assets, net worths, and debt/asset ratios were calculated from data provided by the respondents.

OVERVIEW OF RESPONDENTS

Respondents generally mirrored the characteristics of Ohio farm operators, as reported in the 1982 Agricultural Census, with the exception that the average number of acres farmed by the respondents was 358, twice as large as that reported by the Census. Three-fourths of the respondents farmed less than 500 acres and only 1 in 14 reported farming 1000 acres or

more. Slightly more than half of the respondents reported less than \$40,000 in gross income, two-thirds reported gross income less than \$100,000 and only 1 in 5 percent reported gross income of \$200,000 or more. One-half of the farms reported less than \$1000 of off-farm income while 1 in 4 reported at least \$20,000. Half of the respondent farms were classified as grain farms and thirty percent were dairy or livestock farms. The average respondent was fifty-one years old, had been farming for twenty-eight years, had some education beyond high school, and had a net worth of one-quarter of a million dollars with a debt/asset ratio of thirty-one percent. Half of the respondents operated farms located in western Ohio, one-fifth in the northeast, and one-fourth in the east and southeastern sectors of the state. Tables 1 through 3 provide more detail about the characteristics of respondents.

Table 1. CHARACTERISTICS OF SAMPLE
Ohio Farm Operators
March 1985

Attribute/ Category	Number of farms	Percent of farms
Age		
Less than 35	134	15
35-44	180	20
45-54	193	21
55-64	232	26
65 and over	169	19
Type of farm		
Grain	389	48
Dairy	135	17
Livestock	114	14
Grain/Livestock	52	6
Fruit/Vegetable/other	114	14
Acres Operated		
Less than 100	218	24
100-249	271	30
250-499	200	22
500-749	113	12
750-999	44	5
1000 and over	62	7

(continued)

Table 1. (Continued) CHARACTERISTICS OF SAMPLE
Ohio Farm Operators
March 1985

Attribute/ Category	Number of Farms	Percent of Farms
Gross Sales (\$)		
Less than 40,000	496	55
40,000-99,999	113	12
100,000-199,999	103	11
200,000 and over	196	22
Off-Farm Income (\$)		
Less than 1000	443	49
1,000-4,999	78	9
5,000-9,999	67	7
10,000-19,999	115	13
20,000 and over	205	23
Education Level		
Grade School	82	9
High School	537	59
College and/or Technical School	287	32
Farm Location (Extension District)		
East	120	13
Northeast	186	21
Northwest	255	28
Southwest	217	24
South	122	14
Debt-to-Asset Ratio		
0	272	34
0-10	93	11
11-40	218	27
41-70	149	18
71 and over	78	10

Table 2. AVERAGE SAMPLE CHARACTERISTICS BY DEBT/ASSET RATIO
Ohio Farm Operators
March 1985

	Debt/Asset Ratio (%)					All
	0	1-10	11-40	41-70	71+	
Financial Characteristics						
Assets (\$1,000)						
Non-Real Estate	52	113	142	167	125	111
Real Estate	169	317	310	324	298	264
Total	221	430	452	491	423	375
Debts (\$1,000)						
Non-Real Estate	0	9	27	88	112	34
Real Estate	0	10	82	172	327	83
Total	0	19	109	260	439	117
Net Worth (\$1,000)	221	411	343	231	-16	258
Debt/Asset Ratio (%)	0	4	24	53	104	31
Operator Characteristics						
Age	60	56	47	43	40	51
Years in Farming	36	33	24	22	20	28
Education 1/	2.1	2.3	2.3	2.3	2.3	2.2
Acres Owned	158	243	191	203	216	189
Acres Rented	57	96	223	311	303	176
Acres Operated	209	324	407	509	516	358
Off-Farm Income (\$) (operator & spouse)	10,021	12,827	14,299	12,937	13,675	12,329

1/ Educational attainment, highest level attended

1 = grade school; 2 = high school; 3 = college or vocational

Table 3. AVERAGE SAMPLE CHARACTERISTICS BY EXTENSION DISTRICT
Ohio Farm Operators
March 1985

	Extension Districts					All Operators
	East	North East	North West	South West	South	
Financial Characteristics						
Assets (\$1,000)						
Non-Real Estate	86	151	99	122	82	111
Real Estate	195	304	258	289	253	264
Total	281	455	357	411	335	375
Debts (\$1,000)						
Non-Real Estate	25	49	35	35	19	34
Real Estate	42	85	88	103	84	83
Total	67	134	123	138	103	117
Net Worth (\$1,000)	214	321	234	273	232	258
Debt/Asset Ratio (%)	24	29	34	34	31	31
Operator Characteristics						
Age	54	51	48	52	54	51
Years in Farming	30	29	27	28	30	28
Education 1/	2.2	2.2	2.2	2.3	2.3	2.2
Acres Owned	229	183	172	178	218	189
Acres Rented	107	157	222	189	166	176
Acres Operated	331	334	387	359	372	358
Off-Farm Income (\$) (operator & spouse)	14,563	10,029	12,459	14,030	10,626	12,329

1/ Educational attainment, highest level attended

1 = grade school; 2 = high school; 3 = college or vocational

ASSOCIATED FACTORS

AGE

The common belief that younger farmers are more highly leveraged than their middle-aged and older counterparts is supported by these survey data (tables 4 thru 10). Operators less than 35 years old reported an average debt/asset ratio of 56 percent. This ratio declines as age grouping became older and was only 6 percent for those age 65 or older. Three-fourths of the oldest age group (65 or more) reported zero debt while half of the operators less than 45 years old reported a debt/asset ratio exceeding forty percent (table 5). Coupling this with the higher amount of debt carried by the younger group (table 4), the economic plight of younger farmers becomes quite apparent, given the declining farm income of recent years.

The data indicate some regional differences concerning the association between age and debt/asset ratio (tables 6 thru 10). The percentage of young farmers, those less than 45, with debt/asset ratios exceeding 40 percent was greatest in the east, southwest, and northwest extension districts; the south district had the lowest percent. The east and south districts had the greatest percentages (nearly ninety percent) of the older farmers (at least 55 years old) with no more than a 10 percent debt/asset ratio; the southwest and northwest districts had the lowest. Age related farm financial stress is greatest in the northwest and southwest extension districts, in both relative and absolute terms, given that the sample responses reflect the distribution of farms in the state.

Table 4. AVERAGE SAMPLE CHARACTERISTICS BY AGE
Ohio Farm Operators
March 1985

Item	Operator Age					All operators
	< 35	35-44	45-54	55-64	65 and over	
Financial Characteristics						
Assets (\$1,000)						
Non-Real Estate	91	158	136	109	49	111
Real Estate	163	261	358	294	203	264
Total	254	419	494	403	252	375
Debts (\$1,000)						
Non-Real Estate	46	57	44	23	5	34
Real Estate	96	131	134	51	11	83
Total	142	188	178	74	16	117
Net Worth (\$1,000)	112	231	316	329	236	258
Debt/Asset Ratio (%)	56	49	36	18	6	31
Operator Characteristics						
Age	30	40	50	59	71	51
Years in Farming	11	19	27	36	44	28
Education 1/	2.4	2.4	2.2	2.2	2.1	2.2
Acres Owned	90	175	266	217	157	189
Acres Rented	255	281	198	139	28	176
Acres Operated	345	447	460	352	166	358
Off-Farm Income (\$) (operator & spouse)	12,804	14,331	15,720	10,409	7,942	12,329

1/ Educational attainment, highest level attended

1 = grade school; 2 = high school; 3 = college or vocational

Table 5. DEBT/ASSET RATIO BY AGE
Ohio Farm Operators
March 1985

Operator Age Group	Debt/Asset Ratio (percent)					Farm Operators	
	0	1-10	11-40	41-70	71+	Percent	Number
- - percent of farm operators - -							
< 35	14	3	30	32	21	15	121
35-44	7	5	40	31	16	20	165
45-54	27	11	32	18	11	21	174
55-64	42	21	21	12	3	24	198
65+	74	12	12	2	1	19	152
Farm Operators							
Percent	34	11	27	18	10	100	--
Number	272	93	218	149	78	--	810

Table 6. DEBT/ASSET RATIO BY AGE
Ohio Farm Operators
East Extension District
March 1985

Operator Age Group	Debt/Asset Ratio (percent)					Farm Operators	
	0	1-10	11-40	41-70	71+	Percent	Number
- - percent of farm operators - -							
< 35	20	0	10	50	20	9	10
35-44	16	11	26	26	21	17	19
45-54	40	20	30	7	3	27	30
55-64	61	26	4	4	4	21	23
65+	82	7	11	0	0	25	28
Farm Operators							
Percent	49	15	17	12	7	100	--
Number	54	16	19	13	8	--	110

Table 7. DEBT/ASSET RATIO BY AGE
Ohio Farm Operators
Northeast Extension District
March 1985

Operator Age Group	Debt/Asset Ratio (percent)					Farm Operators	
	0	1-10	11-40	41-70	71+	Percent	Number
- - percent of farm operators - -							
< 35	21	4	29	33	13	14	24
35-44	3	6	46	37	9	21	35
45-54	29	11	38	13	9	27	45
55-64	44	19	28	6	3	21	36
65+	76	10	14	0	0	17	29
Farm Operators							
Percent	34	11	32	17	7	100	--
Number	57	18	54	29	11	--	169

Table 8. DEBT/ASSET RATIO BY AGE
Ohio Farm Operators
Northwest Extension District
March 1985

Operator Age Group	Debt/Asset Ratio (percent)					Farm Operators	
	0	1-10	11-40	41-70	71+	Percent	Number
- - percent of farm operators - -							
< 35	14	0	37	29	20	22	49
35-44	6	4	33	46	10	22	48
45-54	26	9	44	14	7	19	43
55-64	37	20	26	17	0	24	54
65+	75	7	18	0	0	13	28
Farm Operators							
Percent	28	9	32	23	8	100	--
Number	62	19	72	51	18	--	222

Table 9. DEBT/ASSET RATIO BY AGE
Ohio Farm Operators
Southwest Extension District
March 1985

Operator Age Group	Debt/Asset Ratio (percent)					Farm Operators	
	0	1-10	11-40	41-70	71+	Percent	Number
- - percent of farm operators - -							
< 35	4	4	36	24	32	13	25
35-44	8	5	32	24	30	19	37
45-54	16	3	24	38	19	19	37
55-64	35	15	26	19	5	32	62
65+	65	16	10	6	3	16	31
Farm Operators Percent	27	9	26	22	16	100	--
Number	52	18	49	43	30	--	192

Table 10. DEBT/ASSET RATIO BY AGE
Ohio Farm Operators
South Extension District
March 1985

Operator Age Group	Debt/Asset Ratio (percent)					Farm Operators	
	0	1-10	11-40	41-70	71+	Percent	Number
- - percent of farm operators - -							
< 35	17	17	8	42	17	11	12
35-44	8	4	65	8	15	24	26
45-54	22	22	11	22	22	16	18
55-64	48	43	5	0	5	19	21
65+	70	18	9	3	0	30	33
Farm Operators Percent	37	20	22	11	10	100	--
Number	41	22	24	12	11	--	100

FARM SIZE

Two measures of farm size are examined in this analysis--acres operated and gross farm income. The data in tables 11 thru 24 clearly suggest that the larger farms, as a group, in terms of acres or gross income, carry more debt/asset and higher debt/asset ratios than do smaller farms. Operators of smaller farms (less than 250 acres) reported average debt of \$36,000, debt/asset ratios of 19 percent, and \$310 debt per acre operated. Those that farmed 750 or more acres reported average debts of nearly \$600,000, debt/asset ratios that averaged 43 percent, and \$480 debt per acre operated. Operators with less than \$40,000 of gross income reported average debt of \$92,000, an average debt/asset ratio of 30 percent, and an average of \$330 debt per acre operated. Those that reported \$200,000 or more in gross income had an average debt of nearly one-quarter million dollars, an average debt/asset ratio 36 percent, and an average of \$370 debt per acre.

Approximately 60 percent of the smaller farms (less than 250 acres) had a debt/asset ratio of 10 percent or less; only 16 percent of the larger farms (750 acre or more) had ratios this low. Eighteen percent of these same small farms and 57 percent of the larger farms had debt/asset ratios that exceeded 40 percent. Fifty-five of the farms reporting less than \$40,000 gross income had a debt/asset ratio of 10 percent or less; only 22 percent of those farms reporting \$200,000 or more had ratios this low; twenty-one percent of these same small farms and 41 percent of the larger farms reported debt/asset ratios exceeding 40 percent.

The farms located in the northwest and southwest extension districts had the lowest percentage of small farms with debt/asset ratios no greater than 10 percent and the greatest percentage of large farms with ratios exceeding 40 percent. These data indicate that size related financial stress is greatest in western portions of the state.

Table 11. AVERAGE SAMPLE CHARACTERISTICS BY ACRES
Ohio Farm Operators
March 1985

	Number of Acres Operated						All Operators
	< 100	100-249	250-499	500-749	750-999	1000- & over	
Financial Characteristics							
Assets (\$1,000)							
Non Real Estate	27	60	120	189	227	362	111
Real Estate	112	172	257	361	581	800	264
Total	139	232	377	550	808	1,162	375
Debts (\$1,000)							
Non-Real Estate	6	12	33	70	110	122	34
Real Estate	19	32	69	138	237	383	83
Total	25	44	102	208	347	505	117
New Worth (\$1,000)	114	188	275	342	461	657	258
Debt/Asset Ratio (%)	18	19	27	38	43	43	31
Operator Characteristics							
Age	55	53	50	47	48	48	51
Years in Farming	29	30	27	27	25	27	28
Education ^{1/}	2.2	2.2	2.3	2.3	2.5	2.3	2.2
Acres Owned	61	119	191	254	377	683	189
Acres Rented	8	52	177	353	494	752	176
Acres Operated	52	164	366	601	862	1,427	358
Off-Farm Income (\$) (operator & spouse)	17,658	14,193	9,140	8,886	6,777	8,508	12,329

^{1/}Educational attainment, highest level attended

1 = grade school; 2 = high school; 3 = college or vocational

Table 12. DEBT/ASSET RATIO BY ACRES FARMED
Ohio Farm Operators
March 1985

Acres Farmed	Debt/Asset Ratio (percent)					Farm Operators	
	0	1-10	11-40	41-70	71+	Percent	Number
- - percent of farm operators - -							
<100	58	8	22	7	5	23	189
100-249	39	16	23	15	7	31	249
250-499	26	12	32	20	10	21	172
500-749	14	10	37	26	13	13	104
750-999	5	5	31	46	13	5	39
1000+	9	11	26	30	25	7	57
Farm Operators							
Percent	34	11	27	18	10	100	--
Number	272	93	218	149	78	--	810

Table 13. DEBT/ASSET RATIO BY ACRES FARMED
Ohio Farm Operators
East Extension District
March 1985

Acres Farmed	Debt/Asset Ratio (percent)					Farm Operators	
	0	1-10	11-40	41-70	71+	Percent	Number
- - percent of farm operators - -							
< 100	62	7	7	17	7	26	29
100-249	53	16	18	11	3	35	38
250-499	54	17	21	4	4	22	24
500-749	29	14	29	0	29	6	7
750-999	0	20	40	40	0	5	5
1000+	14	29	14	14	29	6	7
Farm Operators							
Percent	49	15	17	12	7	100	--
Number	54	16	19	13	8	--	110

Table 14. DEBT/ASSET RATIO BY ACRES FARMED
Ohio Farm Operators
Northeast Extension District
March 1985

Acres Farmed	Debt/Asset Ratio (percent)					Farm Operators	
	0	1-10	11-40	41-70	71+	Percent	Number
- - percent of farm operators - -							
< 100	61	8	27	2	2	29	49
100-249	38	15	27	15	4	31	52
250-499	20	7	40	20	13	18	30
500-749	5	11	42	32	11	11	19
750-999	0	0	44	44	11	5	9
1000+	0	20	30	40	10	6	10
Farm Operators							
Percent	34	11	32	17	7	100	--
Number	57	18	54	29	11	--	169

Table 15. DEBT/ASSET RATIO BY ACRES FARMED
Ohio Farm Operators
Northwest Extension District
March 1985

Acres Farmed	Debt/Asset Ratio (percent)					Farm Operators	
	0	1-10	11-40	41-70	71+	Percent	Number
- - percent of farm operators - -							
< 100	61	3	24	3	11	17	38
100-249	34	15	25	21	4	32	71
250-499	16	9	45	25	5	25	56
500-749	9	6	45	30	9	15	33
750-999	0	0	29	57	14	3	7
1000+	18	0	18	41	24	8	17
Farm Operators							
Percent	28	9	32	23	8	100	--
Number	62	19	72	51	18	--	222

Table 16. DEBT/ASSET BY ACRES FARMED
Ohio Farm Operators
Southwest Extension District
March 1985

Acres Farmed	Debt/Asset Ratio (percent)					Farm Operators	
	0	1-10	11-40	41-70	71+	Percent	Number
- - percent of farm operators - -							
< 100	48	7	25	14	7	23	44
100-249	29	14	24	16	18	27	51
250-499	28	13	18	26	15	20	39
500-749	13	9	31	28	19	17	32
750-999	7	0	27	47	20	8	15
1000+	0	0	45	27	27	6	11
Farm Operators							
Percent	27	9	26	22	16	100	--
Number	52	18	49	43	30	--	192

Table 17. DEBT/ASSET RATIO BY ACRES FARMED
Ohio Farm Operators
South Extension District
March 1985

Acres Farmed	Debt/Asset Ratio (percent)					Farm Operators	
	0	1-10	11-40	41-70	71+	Percent	Number
- - percent of farm operators - -							
< 100	50	21	25	4	0	22	24
100-249	47	19	17	8	8	33	36
250-499	23	23	27	14	14	20	22
500-749	38	15	23	15	8	12	13
750-999	33	33	0	33	0	3	3
1000+	8	17	25	17	33	11	12
Farm Operators							
Percent	37	20	22	11	10	100	--
Number	41	22	24	12	11	--	110

Table 18. AVERAGE SAMPLE CHARACTERISTICS BY GROSS INCOME
Ohio Farm Operators
March 1985

	G r o s s	F a r m	I n c o m e		
	< 40,000	40,000- 99,999	100,000 199,999	200,000 and over	All Operators
Financial Characteristics					
Assets (\$1,000)					
Non Real Estate	78	59	99	228	111
Real Estate	232	175	198	428	264
Total	310	234	297	656	375
Debts (\$1,000)					
Non-Real Estate	24	14	24	77	34
Real Estate	68	40	53	161	83
Total	92	54	77	238	117
New Worth (\$1,000)	218	180	220	418	258
Debt/Asset Ratio (%)	30	23	26	36	31
Operator Characteristics					
Age	54	49	48	48	51
Years in Farming	29	27	27	27	28
Education 1/	2.2	2.2	2.2	2.3	2.2
Acres Owned	176	115	140	292	189
Acres Rented	110	138	194	354	176
Acres Operated	278	247	329	640	358
Off-Farm Income (\$) (operator spouse)	15,612	17,100	9,150	4,788	12,329

1/ Education attainment, highest level attended

1 = grade school; 2 = high school; 3 = college or vocational

Table 19. DEBT/ASSET RATIO BY GROSS FARM INCOME
Ohio Farm Operators
March 1985

Gross Farm Income	Debt/Asset Ratio (percent)					Farm Operators	
	0	1-10	11-40	41-70	71+	Percent	Number
(\$)	- - percent of farm operators - -						
< 40,000	45	10	23	14	7	54	441
40,000-99,999	28	17	30	16	9	12	98
100,000-199,999	24	16	30	21	9	11	90
200,000-and over	13	9	33	29	15	22	181
Farm Operators							
Percent	34	11	27	18	10	100	--
Number	272	93	218	149	78	--	810

Table 20. DEBT/ASSET RATIO BY GROSS FARM INCOME
Ohio Farm Operators
East Extension District
March 1985

Gross Farm Income	Debt/Asset Ratio (percent)					Farm Operators	
	0	1-10	11-40	41-70	71+	Percent	Number
(\$)	- - percent of farm operators - -						
< 40,000	57	13	12	9	8	68	75
40,000-99,999	25	25	38	13	0	7	8
100,000-199,999	10	30	50	10	0	9	10
200,000-and over	47	6	12	24	12	15	17
Farm Operators							
Percent	49	15	17	12	7	100	--
Number	54	16	19	13	8	--	110

Table 21. DEBT/ASSET RATIO BY GROSS FARM INCOME
Ohio Farm Operators
Northeast Extension District
March 1985

Gross Farm Income	Debt/Asset Ratio (percent)					Farm Operators	
	0	1-10	11-40	41-70	71+	Percent	Number
(\$)	- - percent of farm operators - -						
< 40,000	40	11	30	15	3	53	89
40,000-99,999	47	18	24	6	6	10	17
100,000-199,999	41	12	12	29	6	10	17
200,000-and over	13	7	46	22	13	27	46
Farm Operators							
Percent	34	11	32	17	7	100	--
Number	57	18	54	29	11	—	169

Table 22. DEBT/ASSET RATIO BY GROSS FARM SALES
Ohio Farm Operators
Northwest Extension District
March 1985

Gross Farm Income	Debt/Asset Ratio (percent)					Farm Operators	
	0	1-10	11-40	41-70	71+	Percent	Number
(\$)	- - percent of farm operators - -						
< 40,000	41	7	28	15	8	45	99
40,000-99,999 28	21	19	40	19	2	19	43
100,000-199,999	27	10	33	23	7	14	30
200,000-and over	8	2	34	42	14	23	50
Farm Operators							
Percent	28	9	32	23	8	100	--
Number	62	19	72	51	18	—	222

Table 23. DEBT/ASSET RATIO BY GROSS FARM INCOME
Ohio Farm Operators
Southwest Extension District
March 1985

Gross Farm Income	Debt/Asset Ratio (percent)					Farm Operators	
	0	1-10	11-40	41-70	71+	Percent	Number
(\$)	- - percent of farm operators - -						
< 40,000	38	7	28	18	10	53	101
40,000-99,999	29	5	10	29	29	11	21
100,000-199,999	16	21	16	27	21	10	19
200,000-and over	10	12	31	27	20	27	51
Farm Operators							
Percent	27	9	26	22	16	100	--
Number	52	18	49	43	30	--	110

Table 24. DEBT/ASSET RATIO BY GROSS FARM INCOME
Ohio Farm Operators
South Extension District
March 1985

Gross Farm Income	Debt/Asset Ratio (percent)					Farm Operators	
	0	1-10	11-40	41-70	71+	Percent	Number
(\$)	- - percent of farm operators - -						
< 40,000	50	17	14	10	9	64	70
40,000-99,999	22	33	33	0	11	8	9
100,000-199,999	21	14	50	7	7	13	14
200,000-and over	6	29	24	24	18	15	17
Farm Operators							
Percent	37	20	22	11	10	100	--
Number	41	22	24	12	11	--	110

TYPE OF FARM

Most important source of income is used as a proxy for farm type in this analysis. The survey indicated Ohio's poultry, fruit, vegetable, and etc. farms (other in table 25) are more secure than more common types of farms from a debt/asset ratio viewpoint; two-thirds of these farms reported a ratio of 10 percent or less. Of the major types of farms in the analysis, dairy farms are the most highly leveraged. This is not surprising, given the stability of milk prices and commensurate lower risk profile. Equally unsurprising, livestock farms appear to be the least highly leveraged; these farms face a higher degree of risk because of product prices that don't enjoy downside protection via government programs.

Surprisingly however, there appears to be little difference in the leverage position of grain and grain/livestock farms; 40 percent of each type reported debt/asset ratios of 10 percent or less and about 30 percent reported ratios exceeding 40 percent. The more diversified grain/livestock farm might be expected, because of greater stability in income, to carry higher debt/asset ratios. The explanation offered for this seeming incongruity lies in the supposition that grain farms are highly likely to have lost more asset value during the recent deflation, thus resulting in a higher than usual debt/asset ratio relative to the more diversified grain/livestock farm.

Grain farms in the southwest, dairy farms in the southwest, and livestock farms in the northwest districts appear to be more tenuous financially, than similar types of farms in other parts of the state. In each case, farmers in these districts, for their type of farm, had the least percentage of farms with low debt/asset ratios and the greatest percentage with high ratios. In each instance nearly one-half of the farmers reported debt/asset ratios

exceeding 40 percent. Using the same criteria, grain farms in the northeast, dairy farms in the east, and livestock farms in the east districts seem to be more secure than similar types of farms in other districts.

Table 25. AVERAGE SAMPLE CHARACTERISTICS BY FARM TYPE
Ohio Farm Operators
March 1985

	T y p e O f F a r m O p e r a t i o n					
	Grain	Dairy	Beef/ Hogs	Grain/ Livestock	Other	All Operators
Financial Characteristics						
Assets (\$1,000)						
Non Real Estate	110	179	96	165	78	111
Real Estate	292	296	261	311	209	264
Total	402	475	357	476	287	375
Debts (\$1,000)						
Non-Real Estate	37	48	28	64	23	34
Real Estate	108	89	72	82	50	83
Total	145	137	100	146	73	117
New Worth (\$1,000)	257	338	257	330	214	258
Debt/Asset Ratio (%)	36	29	28	31	25	31
Operator Characteristics						
Age	49	50	52	50	56	51
Years in Farming	27	30	28	28	30	28
Education 1/	2.3	2.1	2.3	2.2	2.3	2.2
Acres Owned	213	206	196	202	124	189
Acres Rented	248	171	77	256	61	176
Acres Operated	453	375	268	444	175	358
Off-Farm Income (\$) (operator & spouse)	13,393	5,162	14,949	9,571	14,415	12,329

1/ Education attainment, highest level attended

1 = grade school; 2 = high school; 3 = college or vocational

Table 26.

DEBT/ASSET RATIO BY FARM TYPE
Ohio Farm Operators
March 1985

Type	Debt/Asset Ratio (percent)					Farm Operators	
	0	1-10	11-40	41-70	71+	Percent	Number
- - percent of farm operators - -							
Grain	29	11	27	20	13	49	346
Dairy	21	8	35	24	12	16	116
Livestock	31	21	25	17	7	15	106
Grain/Livestock	36	4	31	20	9	6	45
Other	49	15	20	12	4	14	100
Farm Operators							
Percent	31	12	27	19	10	100	--
Number	222	87	194	137	73	--	713

Table 27.

DEBT/ASSET RATIO BY FARM TYPE
Ohio Farm Operators
East Extension District
March 1985

Type	Debt/Asset Ratio (percent)					Farm Operators	
	0	1-10	11-40	41-70	71+	Percent	Number
- - percent of farm operators - -							
Grain	26	9	26	22	17	26	23
Dairy	37	21	16	16	11	21	19
Livestock	62	21	14	3	0	33	29
Grain/Livestock	17	17	33	33	0	7	6
Other	58	8	17	17	0	13	12
Farm Operators							
Percent	44	16	19	15	7	100	--
Number	39	14	17	13	6	--	89

Table 28.

DEBT/ASSET RATIO BY FARM TYPE
Ohio Farm Operators
Northeast Extension District
March 1985

Type	Debt/Asset Ratio (percent)					Farm Operators	
	0	1-10	11-40	41-70	71+	Percent	Number
- - percent of farm operators - -							
Grain	38	13	24	18	7	30	45
Dairy	20	7	39	24	9	36	54
Livestock	8	15	46	17	0	9	13
Grain/Livestock	43	0	29	20	14	5	7
Other	45	16	23	12	6	21	31
Farm Operators							
Percent	31	11	31	19	7	100	--
Number	46	17	47	29	11	--	150

Table 29.

DEBT/ASSET RATIO BY FARM TYPE
Ohio Farm Operators
Northwest Extension District
March 1985

Type	Debt/Asset Ratio (percent)					Farm Operators	
	0	1-10	11-40	41-70	71+	Percent	Number
- - percent of farm operators - -							
Grain	30	10	32	20	8	72	143
Dairy	0	0	56	33	11	5	9
Livestock	13	9	35	35	9	12	23
Grain/Livestock	25	0	42	17	17	6	12
Other	50	17	0	25	8	6	12
Farm Operators							
Percent	28	9	32	23	9	100	--
Number	55	18	64	45	17	--	199

Table 30.

DEBT/ASSET RATIO BY FARM TYPE
Ohio Farm Operators
Southwest Extension District
March 1985

Type	Debt/Asset Ratio (percent)					Farm Operators	
	0	1-10	11-40	41-70	71+	Percent	Number
- - percent of farm operators - -							
Grain	26	7	21	23	22	53	94
Dairy	20	3	30	30	17	17	30
Livestock	27	23	32	9	9	12	22
Grain/Livestock	8	23	23	31	8	7	13
Other	37	16	32	16	0	11	19
Farm Operators							
Percent	26	10	25	22	16	100	--
Number	47	17	45	40	29	--	178

Table 31.

DEBT/ASSET RATIO BY FARM TYPE
Ohio Farm Operators
South Extension District
March 1985

Type	Debt/Asset Ratio (percent)					Farm Operators	
	0	1-10	11-40	41-70	71+	Percent	Number
- - percent of farm operators - -							
Grain	23	25	25	15	13	42	40
Dairy	0	0	75	0	25	4	4
Livestock	26	37	5	16	16	20	19
Grain/Livestock	71	0	29	0	0	7	7
Other	56	16	20	4	4	26	25
Farm Operators							
Percent	35	22	22	11	11	100	--
Number	33	21	21	10	10	--	95

NON-FARM INCOME

Those operators reporting medium levels of non-farm income had the highest average debt/asset ratios, thirty-seven percent (table 32). The incidence of low debt/asset ratios was greatest on farms reporting less than \$5,000 non-farm income. One half of these farms had debt/asset ratios of 10 percent or less; only 17 percent reported ratios exceeding 40 percent. On the other hand, 30 percent of the farms with at least \$10,000 non-farm income reported ratios greater than 40 percent and less than 40 percent had ratios no greater than 10 percent.

These relationships were more pronounced in the south and east extension districts. Two thirds or more of the farms with low non-farm income (less than \$5,000) in these areas reported debt/asset ratios of 10 percent or less and one-fourth or fewer with non-farm income of at least \$10,000 had ratios exceeding 40 percent.

Table 32. AVERAGE SAMPLE CHARACTERISTICS BY NON-FARM INCOME
Ohio Farm Operators
March 1985

	N o n - F a r m I n c o m e					All Operators
	< 1000	1,000- 4,999	5,000- 9,999	10,000 19,999	20,000 and over	
Financial Characteristics						
Assets (\$1,000)						
Non Real Estate	116	149	144	96	84	111
Real Estate	294	290	243	218	224	264
Total	410	439	387	314	308	375
Debts (\$1,000)						
Non-Real Estate	37	56	46	25	22	34
Real Estate	89	78	97	75	73	83
Total	126	134	143	100	95	117
New Worth (\$1,000)	284	305	244	214	213	258
Debt/Asset Ratio (%)	31	31	37	32	31	31
Operator Characteristics						
Age	54	50	50	50	48	51
Years in Farming	32	27	30	27	23	28
Education 1/	2.1	2.3	2.3	2.2	2.4	2.2
Acres Owned	213	183	182	158	160	189
Acres Rented	174	277	295	171	107	176
Acres Operated	380	456	468	321	260	358
Off-Farm Income (\$) (operator spouse)	49	2,768	6,919	14,844	35,791	12,329

1/ Education attainment, highest level attended

1 = grade school; 2 = high school; 3 = college or vocational

Table 33. DEBT/ASSET RATIOS BY NON-FARM INCOME
Ohio Farm Operators
March 1985

Non-Farm Income	Debt/Asset Ratio (percent)					Farm Operators	
	0	1-10	11-40	41-70	71+	Percent	Number
(\$)	- - percent of farm operators - -						
< 1,000	42	10	22	17	8	49	393
1,000-4,999	22	13	31	24	10	8	68
5,000-9,999	26	7	42	18	7	7	57
10,000-19,999	31	14	27	15	11	13	105
20,000-and over	22	13	31	22	11	23	187
Farm Operators							
Percent	34	11	27	18	10	100	--
Number	272	93	218	149	78	--	810

Table 34. DEBT/ASSET RATIOS BY NON-FARM INCOME
Ohio Farm Operators
East Extension District
March 1985

Non-Farm Income	Debt/Asset Ratio (percent)					Farm Operators	
	0	1-10	11-40	41-70	71+	Percent	Number
(\$)	- - percent of farm operators - -						
< 1,000	62	12	10	7	9	53	58
1,000-4,999	33	22	22	11	11	8	9
5,000-9,999	50	0	25	13	13	7	8
10,000-19,999	40	10	20	20	10	9	10
20,000-and over	28	24	28	20	0	23	25
Farm Operators							
Percent	49	15	17	12	7	100	--
Number	54	16	19	13	8	--	110

Table 35. DEBT/ASSET RATIOS BY NON-FARM INCOME
Ohio Farm Operators
Northeast Extension District
March 1985

Non-Farm Income	Debt/Asset Ratio (percent)					Farm Operators	
	0	1-10	11-40	41-70	71+	Percent	Number
(\$)	- - percent of farm operators - -						
< 1,000	40	7	29	15	9	54	92
1,000-4,999	15	23	31	31	0	8	13
5,000-9,999	43	0	43	14	0	4	7
10,000-19,999	24	32	24	20	0	15	25
20,000-and over	28	3	44	16	9	19	32
Farm Operators							
Percent	34	11	32	17	7	100	--
Number	57	18	54	29	11	--	169

Table 36. DEBT/ASSET RATIOS BY NON-FARM INCOME
Ohio Farm Operators
Northwest Extension District
March 1985

Non-Farm Income	Debt/Asset Ratio (percent)					Farm Operators	
	0	1-10	11-40	41-70	71+	Percent	Number
(\$)	- - percent of farm operators - -						
< 1,000	37	9	29	21	3	40	89
1,000-4,999	19	0	29	33	19	9	21
5,000-9,999	9	5	55	27	5	10	22
10,000-19,999	24	7	38	21	10	13	29
20,000-and over	26	13	28	21	11	27	61
Farm Operators							
Percent	28	9	32	23	8	100	--
Number	62	19	72	51	18	--	222

Table 37. DEBT/ASSET RATIOS BY NON-FARM INCOME
Ohio Farm Operators
Southwest Extension District
March 1985

Non-Farm Income	Debt/Asset Ratio (percent)					Farm Operators	
	0	1-10	11-40	41-70	71+	Percent	Number
(\$)	- - percent of farm operators - -						
< 1,000	30	10	24	23	13	48	92
1,000-4,999	20	7	40	27	7	8	15
5,000-9,999	25	17	33	8	17	6	12
10,000-19,999	39	7	21	11	21	15	28
20,000-and over	16	9	24	31	20	23	45
Farm Operators							
Percent	27	9	26	22	16	100	--
Number	52	18	49	43	30	--	192

Table 38. DEBT/ASSET RATIOS BY NON-FARM INCOME
Ohio Farm Operators
South Extension District
March 1985

Non-Farm Income	Debt/Asset Ratio (percent)					Farm Operators	
	0	1-10	11-40	41-70	71+	Percent	Number
(\$)	- - percent of farm operators - -						
< 1,000	49	19	11	12	9	52	57
1,000-4,999	30	30	30	0	10	9	10
5,000-9,999	38	13	38	13	0	7	8
10,000-19,999	38	15	23	0	23	12	13
20,000-and over	9	23	41	18	9	20	22
Farm Operators							
Percent	37	20	22	11	10	100	--
Number	41	22	24	12	11	--	110

CREDIT CONDITIONS

REAL ESTATE DEBT

Fifty-five percent of the survey respondents had real estate debt; sixteen percent of those (9 percent of all respondents), however, were delinquent in the payments (table 39). The incidence, amount, and currentcy of real estate debt is closely related to farm size. The percentage of farms with real estate debt increased from approximately 50 to 75 percent as farm size increased from less than \$40,000 to \$200,000 or more gross sales (table 40). The average real estate debt per farm increased from \$19,000 to \$383,000 as size increased from less than 100 to 1000 acres or more (table 11). Surprising to some, the delinquency rate did not increase as farm size increased. Conversely, the percentage of operators that reported loan payment delinquency declined as farm size increased. Ten percent of all small and medium sized in terms of gross sales, farms, were delinquent, while only six percent of the larger farms reported delinquency. The picture is more dramatic when analysis is confined to those farmers with real estate debt. The delinquency rate for the group declines from twenty-one, to sixteen, to eight percent as farm size increased from small to medium to large.

Operator age, in the context of all farms, is related to real estate debt. The average amount of debt per farm was greatest for farmers 35 to 54 years old (table 4). The percentage of farms with real estate debt increased with age, reached a maximum in middle age, and then declined dramatically as farmers approached retirement. The greatest relative incidence of real estate loan delinquency was among younger farmers, those

less than 45 years old; this rate declined as farmers were older and was lowest for those 65 or more years old. However, when examined from the context of those farms with real debt the picture reverses; older farmers, those 65 or older with real estate debt, were more likely to be delinquent than their younger counterpart (table 40).

A greater percentage of dairy farms carried real estate debt than did other types of farms, 65 percent. A lower percentage of grain and grain/livestock farms reported having real estate debt, 60 percent, and still lower were livestock farms at 55 percent. Only 45 percent of farms classified as "other" had real estate debt. Specialized livestock farms reported the lowest relative incidence of real estate loan delinquency, among all farms and among those farms with real estate debt. The data exhibits little or no difference in delinquency rates for the other major types of farming (table 40).

Real estate loan delinquency does not appear to be correlated with level of non-farm income. The percentages of all farms and those farms with real estate debt that reported delinquency were relatively constant for all levels of non-farm income at approximately the same rates as for all farms. However, there is strong relationship between debt/asset ratio and real estate loan delinquency. Farms with real estate debt and debt/asset ratios of 1 to 10 percent reported an eight percent delinquency rate; the farms in the 11 to 40 percent debt/asset ratio group reported an 11 percent delinquency rate and forty percent of the farms with a debt/asset ratio exceeding 70 percent had delinquent real estate loans.

Table 39.

REAL ESTATE DEBT STATUS
Ohio Farm Operators
March 1985

Real Estate Debt Status	Number of Farms	Percent of Farms
---all farms---		
Farms with		
No Real Estate Loans	404	45
Real Estate Loans	<u>500</u>	<u>55</u>
Total	904	100
---farms with real estate debt---		
Interest/Principal Payment Status		
Current	418	84
Delinquent	81	16
No Response	<u>1</u>	<u>0</u>
Total	500	100

Table 40. STATUS OF REAL ESTATE DEBT
Ohio Farm Operators
March 1985

Attribute/ Category	All Farms			Farms with RE Debt	
	Delinquent	Current	No Debt	Delinquent	Current
--- percent of farm operators ---					
Gross Income (\$)					
< 40,000	10	37	53	21	79
40,000-99,999	8	46	46	15	85
100,000-199,999	10	46	44	18	82
200,000-or more	6	69	25	8	92
Acres Operated					
< 100	8	29	63	22	78
100-249	7	42	51	14	86
250-499	9	51	40	15	85
500-749	10	62	28	14	86
750-999	16	75	9	18	82
1,000-or more	14	65	21	18	82
Operator Age					
< 35	11	62	27	15	85
35-44	14	67	19	18	82
45-54	9	54	37	15	85
54-64	8	39	53	17	83
65 or more	4	13	83	24	76
Type of Farm					
Grain	9	50	41	15	85
Dairy	10	55	35	15	85
Livestock	6	50	44	11	89
Grain/Livestock	10	49	41	17	83
Other	7	38	55	16	84
Non-Farm Income (\$)					
< 1,000	8	41	51	16	84
1,000-4,999	8	49	43	14	86
5,000-9,999	10	54	36	16	84
10,000-19,999	9	43	48	17	83
20,000-or more	10	57	33	15	85
Debt/Asset Ratio (%)					
0	0	0	100	0	0
1-10	5	54	41	8	82
11-40	11	75	14	13	86
41-70	8	81	11	9	91
71-or more	34	53	13	39	61
All Farms	9	46	45	16	84

NON-REAL ESTATE DEBT

Unsurprisingly, farmers in the study, in general, reported lower incidence and higher delinquency rates on non-real estate loans than they did for real estate. One-half of the farmers had non-real estate loans and nearly one-fourth of these (twelve percent of all loans) were delinquent. As was the case for real estate debt, the incidence, amount, and currentcy of non-real estate debt was associated with farm size. As farms increased in size, as measured by gross income, the percentage of farms reporting non-real estate debt increased from approximately forty percent for smaller farms to seventy percent for larger farms. Among all farms, delinquency rates were slightly higher on the farms with higher gross sales. The reverse was true, however, when only farms with non-real estate were analyzed; smaller farms, in terms of gross sales had higher delinquency rates. However, when size was measured in terms of acres operated, larger farms had larger delinquency rates, at least when the size was less than 1,000 acres. The delinquency rate declined on farms of 1,000 acres or more (table 42).

Among all farms, younger farmers, those less than 45 years old, were more likely to have non-real estate debt and were more likely to be in default than their older counterparts. However, among those farms with non-real estate debt the default rate was relatively constant at approximately twenty-five percent until age group 65 ore more, when it declined somewhat (table 42).

Dairy farms in the study had a higher probability of having non-real estate debt than did other major types of farms and approximately one-fourth of those having non-real estate debt were in default. Seventeen percent of

the dairy farms reported delinquent loans. Grain/livestock farms appeared to be in worse financial shape, however, with nearly the same percentage of farms in default but one-third of those with non-real debt in default. (table 42).

As was the case with real estate loan delinquency, level of non-farm income does not appear to have a consistent relationship with non-real estate loan delinquency. Debt/asset ratio, on the other hand, is strongly correlated. As debt/asset ratio increased the percentage of all farms in a given category that reported delinquency increased dramatically, from five to nearly forty percent. the relationship is more pronounced for those farms with non-real estate debt.

Table 41. Nonreal Estate Debt Status
Ohio Farm Operators
March 1985

Nonreal Estate Debt Status	Number of Farms	Percent of Farms
--- all farms ---		
Farms with		
No Nonreal Estate Loans	459	51
Nonreal Estate Loans	<u>444</u>	<u>49</u>
Total	903	100
--- farms with real estate debt ---		
Interest/Principal Payment Status		
Current	334	75
Delinquent	104	24
No Response	<u>6</u>	<u>1</u>
Total	444	100

Table 42. STATUS OF NON-REAL ESTATE DEBT
Ohio Farm Operators
March 1985

Attribute/ Category	All Farms			Farms with NRE Debt	
	Delinquent	Current	No Debt	Delinquent	Current
--- percent of farm operators ---					
Gross Income (\$)					
< 40,000	11	27	62	29	71
40,000-99,999	10	40	50	20	80
100,000-199,999	12	44	44	21	79
200,000 or more	13	57	30	19	81
Acres Operated					
< 100	5	22	73	19	81
100-249	9	32	59	22	78
250-499	13	43	44	23	76
500-749	21	54	25	28	72
750-999	27	48	25	36	64
1,000-or more	17	56	27	23	76
Operator Age					
< 35	17	51	32	25	75
35-44	17	56	27	23	77
45-54	14	40	46	26	74
54-64	9	29	62	24	76
65 or more	3	13	84	19	81
Type of Farm					
Grain	11	42	47	21	79
Dairy	17	47	36	27	73
Livestock	9	38	53	19	81
Grain/Livestock	16	35	49	31	69
Other	7	22	71	24	76
Non-Farm Income (\$)					
< 1,000	11	31	58	26	74
1,000-4,999	11	59	30	16	84
5,000-9,999	12	40	48	23	77
10,000-19,999	19	32	49	37	63
20,000-or more	8	46	46	15	85
Debt/Asset Ratio (%)					
0	0	0	100	--	--
1-10	5	51	44	9	91
11-40	13	55	32	19	81
41-70	20	66	14	23	77
71+	38	44	18	46	56
All Farms	12	37	51	23	75

LEGAL ACTION

Three percent of the survey respondents indicated that some legal action had been taken during 1984 or 1985 to collect their past due loans, payments, or accounts. The relative incidence of such legal action was more common among younger farmers, larger farms, farmers that had lower non-farm incomes, and farm businesses that had very high debt/asset ratios. It is significant to note the relationship between legal action and debt/asset ratio, lending credence to the notion that a high debt/asset ratio is a reasonably good predictor of financial stress, if legal action can be used to represent stress.

Table 43. LEGAL ACTION DURING 1984 or 1985 TO COLLECT PAST DUE OBLIGATIONS
Ohio Farm Operators
March 1985

Attribute/ Category	Percent	Responding
	Yes	No
Gross Farm Income		
< 40,000	4	96
40,000-99,999	1	99
100,000-199,999	2	98
200,000 and over	4	96
Acres Operated		
< 100	1	99
100-249	3	97
250-499	4	96
500-749	4	96
750-999	7	93
1,000 and over	6	94
Operator Age		
< 35	6	94
35-44	4	96
45-54	5	95
55-64	3	97
65 and over	0	100
Type of Farm		
Grain	4	96
Dairy	4	96
Beef/Hogs	4	96
Grain/Livestock	6	94
Other	1	99
Non-Farm Income		
< 1,000	3	97
1,000-4,999	6	94
5,000-9,999	4	96
10,000-19,999	3	97
20,000 and over	2	98
Debt/Asset Ratio		
0	0	100
1-10	0	100
11-40	3	97
41-70	3	97
71 and over	21	79
All Farms	3	97

CREDIT AVAILABILITY

Approximately 1 out of 5 farmers in this study reported expected difficulty (degree of difficulty not examined) in obtaining operating credit for 1985. A greater proportion, 1 out of 4, of larger farms (at least \$200,000 gross income) reported expected difficulty. A lesser proportion 1 out of 6, of smaller farms (less than \$200,000 gross income) reported expected difficulty.

Operator age and farm size, in terms of acres operated, were more closely associated with expected difficulty in obtaining operating credit than was farm type. Of the groups and categories examined, young farmers, those less than 45 years old, and larger farms, those with 500 or more acres operated, had the highest rate of expected difficulty, nearly 1 out of 3. The proportion of farmers that expected difficulty declined for each successively older age group or a smaller size group. Though less distinct, a perceptible difference between types of farms is indicated. The percentage of farms expecting difficulty in obtaining 1985 operating credit was lowest for "other" and livestock farms; it was greatest for grain and grain/livestock farms, both of which have the common element of major grain sales.

Level of non-farm income did not appear to be associated with having difficulty in obtaining credit. Debt/asset ratio, however, was more closely associated than any of the other variables examined with expected difficulty in obtaining operating credit for 1985. The percentage of farms expecting difficulty increased from two to seventy-two as the debt/asset category increased from zero to seventy-one or more (table 44).

Table 44. DIFFICULTY OBTAINING 1985 OPERATING CREDIT
Ohio Farm Operators
March 1985

Attribute/ Category	Percent of Farms Expecting	
	Difficulty	No Difficulty
Gross Income (\$)		
< 40,000	16	84
40,000-99,999	15	85
100,000-199,999	17	83
200,000-or more	24	76
Acres Operated		
< 100	9	91
100-249	13	87
250-499	20	80
500-749	31	69
750-999	34	66
1,000-or more	29	71
Age		
< 35	27	73
35-44	29	71
45-54	21	79
55-64	14	86
65 or over	0	100
Type of Farm		
Grain	20	80
Dairy	19	81
Livestock	17	83
Grain/Livestock	21	79
Other	16	84
Non-Farm Income (\$)		
< 1,000	18	82
1,000-4,999	19	81
5,000-9,999	15	85
10,000-19,000	19	81
20,000-or more	17	83
Debt/Asset Ratio (%)		
0	2	98
1-10	4	96
11-40	16	84
41-70	32	68
71-or more	72	28
All Farms	18	82

As expected, insufficient cash was the most common reason given for having had or expecting to have difficulty in obtaining 1985 operating credit. If one accepts previous repayment problems as an indicator of insufficient cash flow than nearly sixty percent of the difficulty was associated with inadequate cash flow. It is interesting to note, however, that twenty percent of the responses identified insufficient equity as the reason; some indication that lender security, not just cash flow, is part of the loan decision process (table 45).

Table 45. Reasons for Difficulty in Obtaining 1985 Operating Credit
Ohio Farm Operators
March 1985

Reason	Number of Responses	Percent of Responses
Insufficient equity	58	20
Insufficient cash flow	116	39
Previous loan repayment problem	52	18
Lender not interested in farm loans	51	17
Other	<u>18</u>	<u>6</u>
Total	295	100

MANAGEMENT RESPONSES

Survey respondents have implemented changes and anticipate additional changes as they adjust to their new economic climate.

CHANGES IMPLEMENTED

Of the changes asked about on the questionnaire, participation in government programs was the most common action already taken, nearly forty percent of the respondents had done this. The next most common action was working off the farm; approximately thirty percent of the respondents indicated this had been done. Three activities were next most frequent with approximately twenty-five percent having done them: keeping more complete records, reducing living expenses, and using contracting or hedging. Twenty percent of the respondents said they had reduced debt and attended financial education meetings. Surprisingly only ten percent had negotiated a lower cash rent or sought financial advice.

CHANGES TO BE MADE

The two most common planned changes were reduction of debt and participation in government programs -- twenty-five percent of the respondents. Keeping more complete records, working off the farm, and reducing living costs were the next most common adjustments that managers planned -- twenty percent of the respondents. Fifteen percent planned to lower cash rents, decrease machinery inventory, use contracting or hedging, and seek financial education. Selling land, buying crop insurance, changing lenders, or changing rental arrangements were planned by only a few respondents.

Table 46. MANAGEMENT CRISIS RESPONSES
Ohio Farm Operators
March 1985

% of Respondents	Activities	
	Have Done	Will Do
40	Government program	----
30	Off-farm work	----
25	More complete records Contracting/Hedging Reduce living expenses	Reduce debt Government programs
20	Reduce debt Financial education	More complete records Off-farm work Reduce living costs
15	--	Reduce rent Reduce machinery Contracting/Hedging Financial education
10	Reduce rent Less land Reduce machinery Change lenders Crop Insurance Financial advice	Sell land Less land Quit farming Crop insurance Financial advice
5	Sold land Cash rent to crop share Quit farming	Cash rent to crop share Change lenders

SUMMARY and CONCLUSIONS

Ohio's younger farmers operate businesses with higher debt/asset ratios than do their older counterparts. Farmers less than 35 years old had an average debt/asset ratio exceeding 55 percent; a level that likely indicates financial stress. The debt/asset ratio declined significantly for each successively older age group. Not until the age group exceeded 54 years did debt/asset ratios, on average, decline to a "comfortable" range. Commensurate with farmers who are established and actively engaged in asset accumulation, middle-aged farmers, 35 to 54 years old, carried the highest average debt loads. Farmers 55 to 64 years old had the highest average net worth, an expected result of their consolidation efforts. The oldest group, 65 years old or more, had the lowest average debt/asset ratios, total assets, and total liabilities, not surprising characteristics for the retiring generation. Approximately one-half of the younger farmers reported debt/asset ratios, greater than 40 percent; a cause for concern in the agricultural community. However, caution must be exercised for fear of making too broad a generalization concerning the financial plight of Ohio's younger farmers. Not all young farmers are carrying excessively high debt loads.

Farm size is also a valid descriptor of farm financial stress in Ohio; it is, however, less discriminating of debt/asset ratio than is age. Of two measures of size analyzed, acres operated is the better discriminator. Ohio's larger farm businesses, for the most part, have higher debt/asset ratios than do smaller firms. Those farms with less than 250 acres reported an average debt/asset ratio that is little reason for concern. The average ratio increased with size but not to the extent that might have been expected. The large

firms, 750 acres or more, reported an average ratio that is cause for concern but not high enough to be classified as unresolvable. Averages, however, hide the extremes which in this instance are important. Nearly 60 percent of the large farms had debt/asset ratios exceeding 40 percent; some of which are leveraged high enough to preclude salvaging. Caution is warranted in formulating conclusions about the relationship between size, debt/asset ratio, and financial stress. A higher debt/asset ratio on larger farms, everything else constant, does not necessarily mean more stress. Larger farms, as a general rule, are more profitable and thus probably able to carry higher debt/asset ratios without it being stressful.

Type of farm was not closely correlated with average debt/asset ratio. Of the major types of farms, grain farms alone exhibited a different and higher average debt/asset ratio; this is probably the result of rapidly declining land values. It is interesting to note those farms producing crops and livestock products (i.e. dairy and grain/livestock) enjoy the highest average net worths. Grain and dairy farms had the highest percentage of operators reporting debt/asset ratios greater than 40 percent. Both of these groups are likely to become more vulnerable financially as income support diminishes in the near future.

Non-farm income was not closely associated with debt/asset ratios. The middle group of producers (neither high nor low non-farm income) had the highest average debt/asset ratio. This group is likely struggling the most because of their greater relative need for additional income but their unwillingness or inability to commit to greater off-farm employment.

Farm financial stress, as measured by debt/asset ratio, is concentrated in the western part of Ohio. The younger operators and larger businesses in western counties were more highly leveraged than in other parts of the state. This is not unexpected since most of Ohio's farms are in this region and this is the area of the state where land purchasing was concentrated during the 1970's as land prices escalated and where assets have experienced a greater relative loss in value during the 1980's. Dairy and grain farms were more highly leveraged in the southwest quadrant of the state, as were livestock farms in the northwest.

Fifty to fifty-five percent of farmers in this study reported having real estate and/or non-real estate debt. Ten to twelve percent of all farms reported loan delinquency. One-fourth of the farmers with non-real estate loans reported delinquency; significant information to know when popular rhetoric contends that a third to a half of Ohio's farmers are facing bankruptcy.

The delinquency data contradict the common notion that younger farmers and larger businesses are experiencing greater stress than others. Larger businesses with debt were less likely to have delinquent non-real or real estate loans than were smaller farmers. The common notion held for younger farmers with non-real estate debt.

Three percent of all farms responding experienced some legal action by lenders and or suppliers to collect past due financial obligations during 1984 or early 1985. It is important to note, however, that the sample likely excludes those that went out of business during 1984.

Approximately one-fifth of Ohio's farmers expected difficulty in obtaining operating money for 1985. This is somewhat higher than the ten to twelve percent reporting loan delinquency. It is important to remember that this is "expectation" of difficulty not a measure of refusal. The situation is likely to deteriorate further for 1986 with possibly 25 percent expecting difficulty and 5 to 10 percent experiencing refusal. As expected, the most common reason for difficulty was associated with insufficient cash flow.

Participation in government programs, off-farm work, debt reduction, more complete records, reducing living costs, and forward pricing were the most common management strategies cited by farmers in their process of adjusting to the current economic situation.

The data in this analysis clearly demonstrate the complexity of the "trouble down on the farm" issue. It is clear that young operators operating large farm business, as a group, carry much higher debt/asset ratios than any other group of operators; they also report the highest rate of legal action. At the same time, however, this same group if they have debt, report the lowest incidence of real estate loan delinquency. Confounding the issue further, these data indicate only 40 to 45 percent of the operators with a debt/asset ratio greater than 70 percent were delinquent in loan payments. There appears to be little difference between types of farm so far as delinquency and legal action are concerned. How then to target assistance programs in an effective and equitable fashion remains elusive.

Any policy, be it state, regional, or national in scope or commodity, age, size, or debt load specific, will be viewed as favoring select interest groups and likely opposed by a majority of producers. It is reasonable to expect that little will be done that can salvage the ten percent of Ohio's

farms carrying the very highest debt/asset ratios. One-fourth of Ohio's large farms, those of 1,000 or more acres, and (not additive) about one-fifth of Ohio's farmers under 45 years old can be expected to go out of business and/or make major structural changes in their business in the near future. Another twenty percent of the farms are financially stressed but with a reasonable expectation of surviving if problems are addressed realistically and strategies to reduce debt load are implemented. These businesses are likely to need major surgery to ensure survival. Another twenty-five percent need to approach the future cautiously and scrutinize their business for weaknesses, lest they too become a "lost farm" statistic; they cannot be complacent. The remaining forty-five of Ohio's farmers, most of whom are more than 55 years old and/or operate farms less of than 500 acres will experience little difficulty in surviving the current financial crisis and will face unprecedented opportunities for expansion.